



STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

TELECOMMUNICATIONS

IN THE MATTER OF THE JOINT PETITION)
OF CYPRESS COMMUNICATIONS)
OPERATING COMPANY, INC. AND)
INTERMEDIA COMMUNICATIONS, INC.)
FOR GRANT OF AUTHORITY TO)
TRANSFER TELECOMMUNICATIONS)
SERVICES PROVIDED TO SHARED)
CUSTOMERS)

ORDER OF APPROVAL

DOCKET NO. TM02070401

(SERVICE LIST ATTACHED)

BY THE BOARD:

On July 12, 2002, Cypress Communications Operating Company, Inc. (Cypress Operating Company) and Intermedia Communications, Inc. (Intermedia and together with Cypress, Petitioners), filed a joint petition for the Board's approval for the transfer of the local and long distance services provided by Intermedia to customers at STS locations. This transfer is part of a larger transaction involving the sale of Intermedia's parent WorldCom Inc.'s (WorldCom) STS business to Cypress Communications, Inc. (Cypress Communications), the parent company of Cypress Operating Company (collectively, Cypress). Petitioners are also requesting a waiver of the Board's rules on presubscribed carrier changes.

BACKGROUND

Cypress Operating Company is a Delaware corporation with principle offices located in Atlanta Georgia. Cypress Operating Company is a wholly owned subsidiary of Cypress Communications, which in turn is a wholly owned subsidiary of U.S. RealTel, Inc. (U.S. RealTel). U.S. RealTel is a publicly traded corporation organized under the laws of the State of Delaware with its principle place of business also located in Atlanta Georgia. Cypress provides bundled telecommunications services to small and medium-sized businesses located in multi-tenant office buildings throughout the United States. According to the petition, Cypress's Bundled service offerings may include; high speed Internet connectivity, e-mail services, firewall services, web hosting, virtual private networks, digital desktop stations, local, long distance and toll free services, calling cards, audio and web conferencing and digital business television. In a separate filing, Cypress Operating Company filed with the Board a petition requesting authority to provide facilities-based and resold local exchange, exchange access and interexchange telecommunications services in New Jersey. That petition was reviewed and approved at Docket No. TE00060418. In New Jersey, Cypress Operating Company currently provides resold local exchange and interexchange telecommunications services.

Intermedia is a corporation organized and existing under the laws of the State of Delaware and is a wholly owned subsidiary of WorldCom, Inc., a publicly traded Georgia Corporation with its principal place of business located in Clinton, Mississippi. Intermedia initially acquired the assets of Eastern Message of New Jersey, Inc. (Eastern). See Order I/M/O the Petition of Intermedia Communications of Florida, Inc., and Eastern Message of New Jersey, Inc. to Transfer Assets, Docket No. TM96040266, dated June 20, 1996. Intermedia later was granted authority to provide local exchange services in New Jersey. See Order I/M/O the Petition of Intermedia Communications Inc. for Approval to Expand Existing Intrastate Authorization to Begin to Provide Competitive Local Exchange Service in New Jersey, Docket No. TE96110776, dated April 2, 1997. Subsequently, Intermedia was later acquired by WorldCom, Inc. See Order I/M/O the Joint Petition of WorldCom, Inc and Intermedia Communications, Inc. for Approval of a Proposed Transfer of Control, Docket No. TM00100803, dated January 18, 2001.

The local and long distance services that are the subject of this Petition are provided to STS customers in New Jersey. The petition points out that the customer premises and other equipment that are being bought as part of this transaction are not used by WorldCom in the operation of any of its other lines of business in New Jersey. This transfer is the result of an Asset Purchase Agreement (Agreement) between Cypress Communications and WorldCom and certain WorldCom subsidiaries whereby Cypress will acquire WorldCom's shared tenant service business nationwide, including the provision of local and long distance telephone services currently provided by Intermedia to STS customers in New Jersey. The petition states that in connection with a review of its business lines, WorldCom decided to focus its business plans in areas other than the shared tenant services market.

Petitioners state that the proposed transaction will be transparent to existing customers with respect to services they receive. Following the transition, Cypress will provide services to the STS customers under the same rates terms and conditions that those customers currently receive service. Moreover, as the petition states, the transaction will not involve a change in the equipment through which STS is provided. Customers were notified by letter of the transaction, which noted that customers were free to select another carrier. Customers will be transferred to Cypress unless they have chosen another carrier.

The Petition notes that the transaction will not affect the manner in which WorldCom and its various subsidiaries, including Intermedia, otherwise provide telecommunications service in New Jersey. Therefore, Petitioners point out that they do not seek to transfer or relinquish any of Intermedia's existing New Jersey certifications or to amend or modify Intermedia's tariffs or rates other than to eliminate STS-specific services and rates.

Petitioners have indicated that they have obtained approval in 8 states and are awaiting approval in seven states including New Jersey. No states have denied the transaction. By letter dated October 18, 2002, the Division of the Ratepayer Advocate advised that it does not object to approval of this petition.

FINDINGS AND CONCLUSIONS

After a thorough review of the petition and all related documents, the Board is convinced that, with regard to the provision of service, there will be no negative impact on service to New Jersey customers. All services will continue to be provided to the Petitioners' New Jersey customers without interruption and pursuant to the same tariffs, contracts, rates, terms and conditions in existence prior to the transaction.

Accordingly, after careful review of this matter, the Board FINDS that the transaction will have no negative impact on competition, the rates of current customers, or on employees. The Board also FINDS that the transfer will have no negative impact on the provision of safe, adequate and proper service. Therefore, the Board, after investigation, having considered the record and exhibits submitted in this proceeding, FINDS that the transfer is in accordance with law and in the public interest. The Board HEREBY APPROVES the request by Petitioners for this transaction. As for the request for the waiver regarding the Board's rules regarding presubscribed carriers changes, the Board FINDS that the waiver is necessary in this instance for the transfer of the STS customers. Customers were given proper notice of the transfer and the option of seeking alternative carriers, the waiver will facilitate the transfer of customers.

DATED: 12/19/02

BOARD OF PUBLIC UTILITIES
BY:

(signed)
JEANNE M. FOX
PRESIDENT

(signed)
FREDERICK F. BUTLER
COMMISSIONER

(signed)
CAROL J. MURPHY
COMMISSIONER

(signed)
CONNIE O. HUGHES
COMMISSIONER

(signed)
JACK ALTER
COMMISSIONER

ATTEST:

(signed)
KRISTI IZZO
BOARD SECRETARY